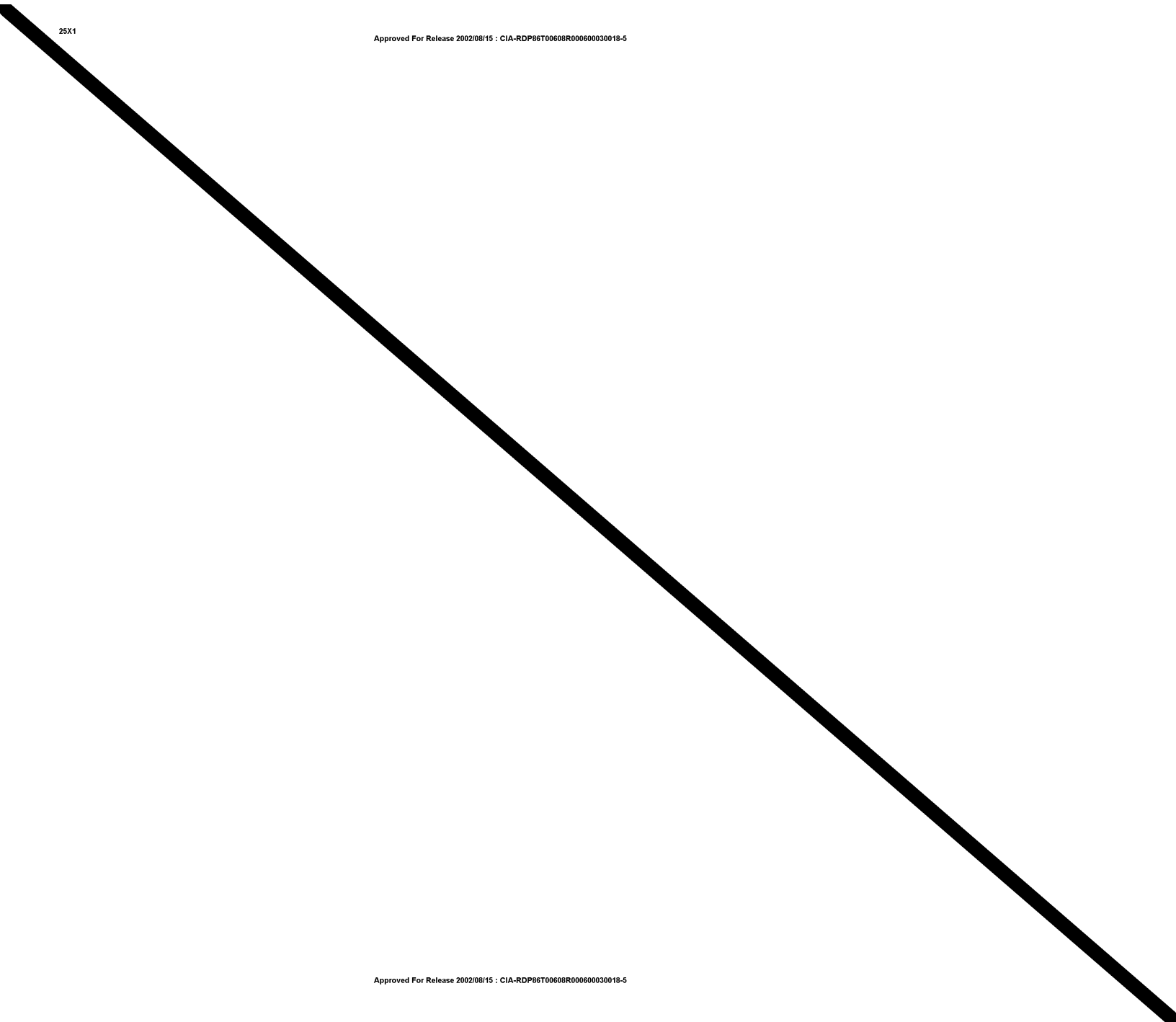

CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

CIA/OCR/S-02300-75

[redacted]

13 May 1975

[redacted]

MEMORANDUM FOR: Mr. Robert Adam
Bureau of Industry Economics
Office of Economic Analysis
Department of Commerce
1100 L Street, N.W.
Washington, D. C. 20573

SUBJECT : Transmittal of Memorandum on Soviet Acquisition of Barge Carrying Ships

The attached memorandum on Soviet plans to acquire barge carriers is being transmitted in response to your request of 8 May 1975. The memorandum was prepared by [redacted] of this office and any question pertaining to it may be addressed

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Office of Economic Research

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Soviet Interest in Barge Carrier Technology

The Soviets, attempting to catch up with advanced Western shipping technologies, have turned to the US for assistance in construction of their first high-speed barge carriers. US developers of the "Seabee" barge carrier system have agreed to a licensing and royalty arrangement under which a Finnish shipyard will build carriers for the USSR, and negotiations are underway for similar employment of US "LASH" (lighter-aboard ship) technology in ships to be built for the USSR in Poland. There had been much speculation in Western shipping circles as to which of the two systems the Soviets would adopt and it now appears that they will invest in both.

Like containerships, barge carriers are key elements of an intermodal transport system in which freight moves from shipper to consignee in modular units of standardized dimensions. The basic unit is a barge or lighter rather than a container. Port turnaround time is minimized because operations consist only of discharging the barges and taking on others pre-loaded with general or bulk cargo. Barges are moved to their final destinations by tugboats.

The full potential of these systems is best realized at seaports linked to major inland waterways such as the Rhine River or the Mississippi. As the USSR has seaports linked to well-developed inland waterway systems in all four of its major sea basins (Black Sea, Baltic, Northern, and Far Eastern), barge carriers will be a viable addition to the overall Soviet

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transport system. Barge carrier promotors also contend that these ships have a unique role in trade with developing countries where port facilities are primitive and railway and road systems inadequate for moving containers.

A barge carrier visiting a developing country does not need well-developed port facilities; it requires only a deep water anchorage where barges can be dropped off and picked up. The barges can then be moved through coastal or inland waterways to ports or wharves where shallow waters restrict larger craft. This aspect of barge carrier operations has not been adequately demonstrated during the first five years of bargo carrier operations (1970-1974).

The Seabee system is more complex than LASH, but is also more flexible. Using a special elevator mounted on the stern, the Seabee ship loads 800-ton lighters horizontally on decks that can also take wheeled vehicles in the way a roll-on/roll-off ship does. This system has thus far been adopted by only one Western steamship company, a US firm operating out of New Orleans. The Seabee-type barge carriers ordered by the USSR from Finland will be larger, more maneuverable, and of shallower draft than their US counterparts. They are tentatively scheduled for assignment to the Danube Steamship Company, which -- with the Suez Canal closed -- primarily trades with countries on the Mediterranean.

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The LASH system employs barges with 370-ton capacities dropped into place vertically by a gantry crane that moves the length of the ship. It is the cheaper of the two systems and has been adopted by six US and West European companies. Throughout 1974, its US developers held frequent discussions with representatives of the Polish shipbuilding industry, who were seeking a licensing agreement to permit use of the LASH system on ships they were planning. Initially contending that all of the four ships in question would be delivered to Polish Ocean Lines, the Poles finally conceded that two might go to the USSR. By the end of 1974 the Soviets openly acknowledged that the USSR had LASH ships on order from Poland.

The USSR has already announced the trades in which it plans to use the LASH ships. These include: Soviet Baltic ports to Northern Europe and to West Africa, Soviet Black Sea ports to Cuba, and Soviet Far Eastern ports to Southeast Asia and the US.

The implications of Soviet entry into the barge carrier business are not yet clear. During their first five years in operation, barge carriers have not lived up to expectations and Western operators currently have no additional carriers



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on order. In many countries, longshoremen, lighter operators, and other interests have resisted their introduction. Because of failures to attract sufficient cargo, some barge carriers have been transferred from trade routes for which they were designed to others where they are less suitable. In many ports where barge carriers were intended to anchor in the roadstead, the ships have ended up using expensive container piers because they have been forced to move containers, as well as barges, to cover operating costs. With one exception, all barge carrier lines currently functioning are in the US trade, the busiest route being that between New Orleans and Rotterdam. The Soviets have expressed an interest in using some of their barge carriers in US/Soviet trade where none are functioning now, and have raised the possibility of using their Seabee vessels in a joint operation with the US Seabee operator. In all discussions, the Soviets have assured US operators that they do not intend to operate any barge carriers in competition with US ships.





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